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CROATIA

ACTIVITY OVERVIEW

Energy Sector Restructuring

USAID is assisting Croatia's national power utility (HEP), to prepare Croatia's entry into the regional power market and to restructure and unbundle its core activities.



Andro Pakusic, USAID

Ernestinovo substation re-opened; the future energy community of South East Europe is physically reconnected

Implementer: Pierce-Atwood; Hunton & Williams; U.S. Energy Association (USEA); National Association of Regulatory Utility Commissioners (NARUC)

Partners: Ministry of Economy, Labor and Entrepreneurship; CERC - Croatian Energy Regulatory Agency, Hrvatska Elektroprivreda (HEP)

U.S. Agency for International Development
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Since 2001 USAID has been working to support the Government of Croatia's goal of assuming a leadership role in the creation of a competitive regional power market. Croatia began the process of developing a competitive internal power market several years ago. By initiating the draft treaty that created the Energy Community of South East Europe in March of 2005, Croatia took the decisive step of joining the regional electricity market, with the ultimate goal of incorporating Croatia into the European Internal Electricity Market. Coming into compliance with EU Directives governing internal power markets will require that the current monopoly of the Croatian market, presently held by the national power utility (HEP), gradually transitions to a regulated market model. USAID has assisted in key aspects of this process from the outset.

The Croatian Energy Regulatory Council (CERC) is the independent regulatory authority responsible for monitoring the market to ensure non-discrimination, effective competition and the efficient functioning of the market. USAID has worked with CERC to develop secondary legislation, licensing procedures, public service obligations, transmission fees, data collection and grid codes, thereby enabling the Council to assume its new responsibilities quickly and effectively. With USAID assistance, CERC joined a regional regulators association (ERRA) to improve regional dialogue on common issues.

USAID is assisting HEP with its fundamental restructuring, including creation of affiliated daughter companies with full separation of accounts. Major areas of support include development of the national market model and economic and technical aspects of the regional power market, along with grid codes and tariff development.

Results USAID worked closely with the Ministry of Economy in drafting a package of four major energy sector laws that were originally passed in 2001 and were amended in 2005, creating the statutory framework for energy sector restructuring.

A USAID-supported partnership between the Croatian electricity utility (HEP) and the American Electric Power of Ohio (AEP) is providing HEP with valuable insights into utility restructuring and liberalization and security of electricity supply.

A series of exchange visits between CERC and the New York State Public Service Commission under a USAID partnership have increased CERC's understanding of modern regulatory practices.